

# **Plaintiffs' Exhibit 184**



## Implications of AdWords's and AdX's bidders

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## Executive Summary



AdWords wants to represent inventory from any inventory source including native AdSense / AdX, proprietary sources (MSN and Yahoo!) as well as 3<sup>rd</sup> party inventory like Rubicon, Pubmatic and AdMeld

AdWords expects to attract more buyers and improve spend rates by adding additional inventory access.

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The enablement of AdWords on 3<sup>rd</sup> party inventory sources will marginally increase revenue while increasing bid pressure and CPMs on the 3<sup>rd</sup> party inventory sources and simultaneously decreasing CPMs on native AdX / AdSense inventory

The enablement of AdWords on 3<sup>rd</sup> party inventory sources will incentivize clients to move from AdX and AdSense to Rubicon, Pubmatic and AdMeld

If done, the implementation of these 3<sup>rd</sup> party inventory sources should be done via AdX to simplify policy, inventory quality and legal aspects and AdX should be positioned as the "buyer" to make transparent the opportunity for a direct yield management relationship

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Why enable 3<sup>rd</sup> party exchange inventory? 

**Benefits to AdWords Advertisers**

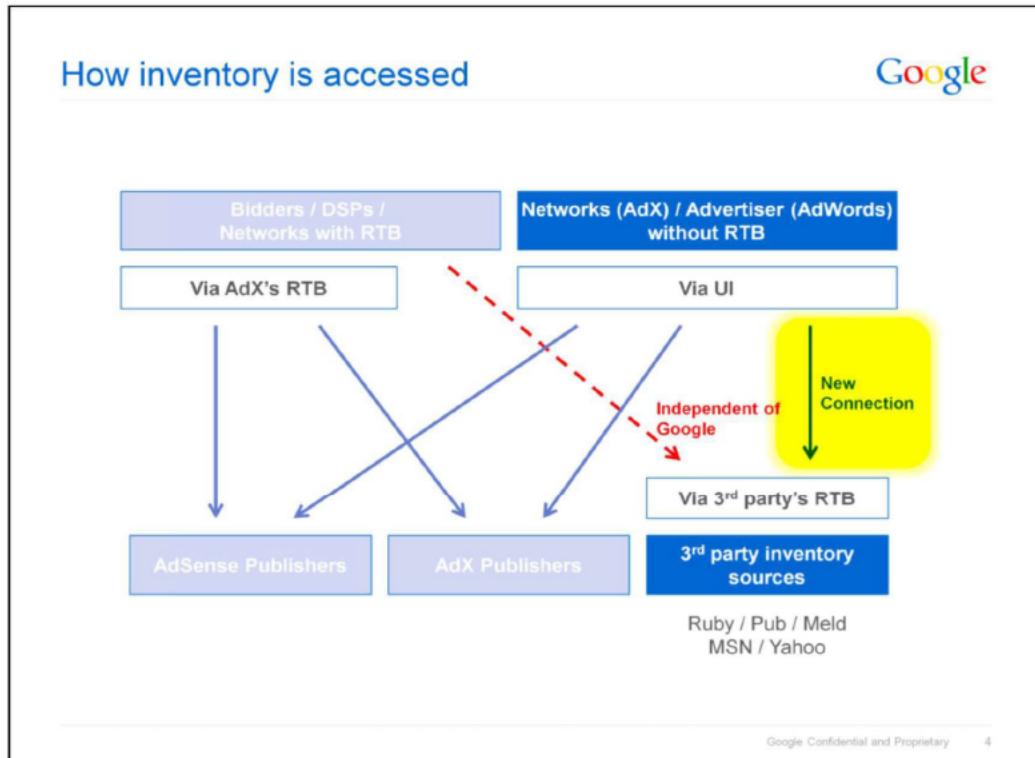
- AdWords advertisers and AdX buyers have significant un-spent budget. New inventory result in additional transactions.
- Advertisers want to access all inventory from within AdWords. Removes a competitive concern and brings new advertisers to AdWords.
- Standardization of inventory (e.g., ad technologies, ad spam, video, mobile)
- Easier data integration with DoubleClick Data Platform (e.g., no cookie matching)

**Benefits to AdX (non RTB) Networks**

- AdX networks that do not support RTB can spend more.
- Standardization of inventory (e.g., ad technologies, ad spam, video, mobile)

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Two different inventory pools 

Proprietary Inventory	Yield Managed Inventory
Examples: Yahoo, MSN	Examples: Rubicon, Pubmatic, AdMeld
Large pools of non overlapping inventory	Smaller pools of overlapping inventory (same sites already in GDN)
Available via exchanges and SSPs	Available via SSPs
Google cannot access otherwise	Google has opportunity to access via yield management offering

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## Short-term impact of buying Yield Managed inventory



Accessing inventory from AdMeld, Rubicon, and PubMatic will add an estimated 4% more inventory to AdWords.

Expected impact is:

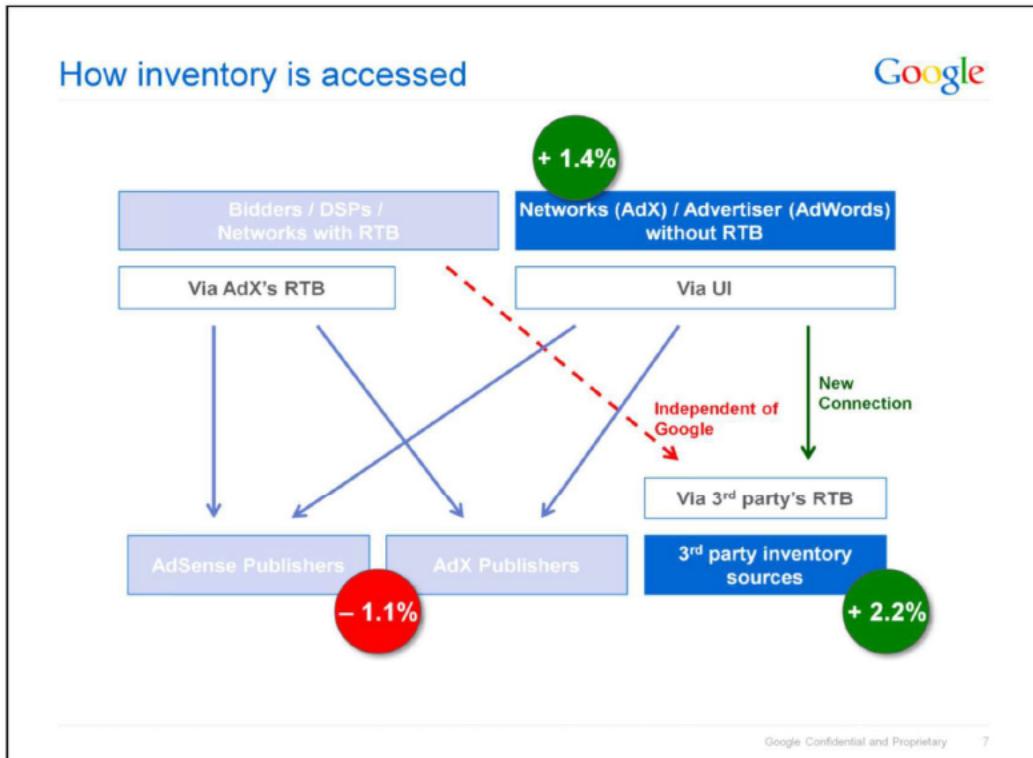
- 1.4% increase in AdWords revenue (\$5.5m / month)
- 1.1% decrease in AdSense / AdX publisher's avg CPM
- Approximately 2.2% increase in AdMeld, Rubicon, and PubMatic CPMs

AdWords gains access to more inventory resulting in marginally higher revenue.  
The third party inventory sources see an increase in bid pressure

Model is driven by CPC – AdWords buyers can find clicks at a lower rate

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## Long-term impact of new inventory



Shifts in inventory availability will impact buyers and sellers

- Publishers move away from AdSense / AdX to 3<sup>rd</sup> party exchanges (driven by CPM shifts and perception that sell-side not relevant)
  - Loss of UVP, Competition for inventory becomes purely feature driven
  - DFP differentiation at risk with RTB based spend on Ruby/Pub/Meld
- Advertisers move to AdWords (single network, all inventory)
  - Risk: Limited number of incremental spend remains on networks that don't access AdX or use RTB
- Networks without RTB move to AdX (single access point for all inventory)

Publisher inventory shifts are potentially far more dramatic than expected gain in advertiser spend

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